

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2019

Docket No. ACR2019

CHAIRMAN'S INFORMATION REQUEST NO. 11

(February 4, 2020)

To clarify the basis of the Postal Service's service performance reporting in its FY 2019 Annual Compliance Report (ACR), filed December 27, 2019,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 11, 2020.

Costing Methodology

1. In its FY 2019 ACR, the Postal Service states that "a shift among parcels costs resulted from new shape-based data collection procedures." FY 2019 ACR at 68 (footnote omitted). In its response to Chairman's Information Request No. 4, the Postal Service confirms that the new shape-based data collection procedures affect all of the Postal Service's products with parcel-shaped pieces and provided a list of all products with costs affected by the new shape-based data collection procedures.² The description included with the list indicates that the new shape-based data collection procedures affects the distribution of mixed-mail In-Office Cost System (IOCS) tallies for city carriers. Response to CHIR No. 4, question 9.a. Under the current methodology, the distribution of mixed-mail IOCS tallies for city carriers is associated with the development of the in-office direct labor

¹ United States Postal Service FY 2019 Annual Compliance Report, December 27, 2019 (FY 2019 ACR).

² Responses of the United States Postal Service to Questions 1-41 of Chairman's Information Request No. 4, January 24, 2020, question 9.a. (Response to CHIR No. 4).

cost distribution key.³ Under the current methodology, the Postal Service states it uses the “ALBCARMM” (city carrier mixed mail cost distribution) SAS program to distribute mixed-mail costs to direct mail activity codes.⁴

- a. Please confirm that the FY 2019 IOCS shape-based data collection procedures affect only the mixed-mail to direct mail activity codes process in the development of the in-office city carrier direct labor cost distribution keys. If not confirmed, please describe any other IOCS craft or in-office inputs or process modified due to the new IOCS shape-based data collection procedures.
- b. In the Postal Service’s list of products affected by the new IOCS shape-based data collection procedures, the Postal Service lists the international mail products affected. Response to CHIR No. 4, question 9.a. In the “ALBCARMM,” programming code, the section of SAS code that classifies activity codes into Cost and Revenue Analysis (CRA) product class categories for non-international products align with the list provided in the Response to CHIR No. 4, question 9.a.⁵ However, for the international mail products affected, the “ALBCARM” program groups all international costs together and, as a result, the same detailed international product categories listed in the Response to CHIR No. 4, do not appear to be output directly to the detail as that shown in the Response to CHIR No. 4,

³ The city carrier in-office direct labor (as identified in the IOCS that the sampled carrier was handling mail, equipment with mail in it or mail forms) distribution key is used to distribute city carrier in-office support overhead total cost to products and is also included as part of the city carrier piggyback factor calculation. See Library Reference USPS-FY19-32, December 27, 2019, folder “B Workpapers,” Excel file “CS06&7-Public-FY19.xlsx,” tab “Input CS6,” cell D31-D77, tab “Output to CRA,” columns “D,” “N,” and “T” and Library Reference USPS-FY19-24, December 27, 2019, Excel file “FY19Public.PB.xlsx,” tab “CityCarriers.”

⁴ See Library Reference USPS-FY19-37, PDF file “USPS-FY19-37.IOCS.Preface.pdf,” at 12; folder “USPS-FY19-37,” folder “SASPrograms,” file “ALBCARMM” (ALBCARMM).

⁵ Compare Response to CHIR No. 4, question 9.a. with the “ALBCARMM” file, section of code beginning with “proc format.”

question 9.a. from the “ALBCARMM” processing steps.⁶ Please describe the process for distributing mixed mail costs to the level of international product level detail shown in the list of affected international products provided in the Response to CHIR No. 4, question 9.a.

- c. The list of all products affected by the shape-based data collection procedures also includes letters and flats products. Response to CHIR No. 4, question 9.a. Please describe how the mixed-mail to products distribution process would have “shifted” costs within parcels costs and also affected both letters and flats products.
2. Please refer to the FY 2018 and FY 2019 in-office city carrier direct labor cost distribution keys filed in Docket No. ACR2018 Library Reference USPS-FY18-32 and Library Reference USPS-FY19-32, folder “B Workpapers,” Excel files “I_FORMS-Public-FY18.xlsm,” and “I_FORMS-Public-FY19.xlsm” tabs “I-CS06.0.2.2 Input.”⁷ The following questions relate to differences between the FY 2018 and FY 2019 in-office city carrier direct labor cost distribution keys.
- a. Between FY 2018 and FY 2019, city carrier in-office direct labor costs for total Domestic Competitive Mail and Services increased by approximately \$70.5 million.⁸ Please discuss the reasons for the increase and quantify if possible, to what extent the increase is due to the changes made in the FY 2019 IOCS shape-based data collection procedures.

⁶ The ALBCARMM program outputs one CRA class (185) for international products.

⁷ See Docket No. ACR2018, Library Reference USPS-FY18-32, December 28, 2018, folder “B Workpapers,” Excel file “I_FORMS-Public-FY18.xlsm,” tab “I-CS06.0.2.2 Input,” (FY 2018 in-office city carrier direct labor cost distribution keys) and Library Reference USPS-FY19-32, December 27, 2019, “I_FORMS-Public-FY19.xlsm,” tab “I-CS06.0.2.2 Input” (FY 2019 in-office city carrier direct labor cost distribution keys).

⁸ Compare FY 2018 in-office city carrier direct labor cost distribution keys, tab “I-CS06.0.2.2 Input,” cell E55 with FY 2019 in-office city carrier direct labor cost distribution keys, tab “I-CS06.0.2.2 Input,” cell E55.

- b. Between FY 2018 and FY 2019, city carrier in-office direct labor costs for USPS Marketing Mail Flats (CRA Class 26) decreased by approximately \$37.8 million.⁹ Please discuss the reasons for the decrease and quantify if possible, the extent the decrease was due to the changes in the shape-based data collection procedures.
 - c. Between FY 2018 and FY 2019, city carrier in-office direct labor costs for USPS Marketing Mail Letters (CRA Class 25) increased by approximately \$31.3 million.¹⁰ Please discuss the reasons for the increase and quantify if possible, the extent the increase was due to the changes in the shape-based data collection procedures.
 - d. Between FY 2018 and FY 2019, city carrier in-office direct labor costs for USPS Marketing Mail Carrier Route (CRA Class 23) decreased by approximately \$22.6 million.¹¹ Please discuss the reasons for the decrease and quantify if possible, the extent the decrease was due to the changes in the shape-based data collection procedures.
3. The Postal Service's FY 2019 policy letter for the IOCS data collectors states (for mailpiece shapes in the parking lot): "When there is inadequate time to obtain and record full details about a mailpiece that a carrier is handling in the parking area, new question Q21B3.Cr enables recording of some information about the shape."¹² Please describe the process for identifying a mailpiece shape in FY 2018 when there was inadequate time to obtain and record full details about that mailpiece. If no such efforts were made, please explain the reason(s) why not

⁹ *Id.* cell E26.

¹⁰ *Id.* cell E25.

¹¹ *Id.* cell E24.

¹² Library Reference USPS-FY19-46, folder "ChIR 4 Q 9 IOCS," PDF file "SPLetterFY19#1.pdf," Attachment 3 at 1.

and identify the mailpiece shape or shapes activity codes that would be used under these circumstances.

4. The Postal Service's FY 2019 policy letter for the IOCS data collectors states (for mailpiece shapes in equipment): "When the data collector or respondent is unable to obtain a mailpiece from a carrier who is handling equipment such as a hamper, we now collect information on the shapes of mail within the equipment."¹³ In FY 2018, when the data collector or respondent was unable to obtain a mailpiece from a carrier who was handling equipment, was information on the shapes of mail within the equipment obtained? If not, please explain the activity code(s)¹⁴ that would be used under these circumstances.

¹³ Library Reference USPS-FY19-46, folder "fy19.46.chir.4.public.data.zip," folder "ChIR 4 Q 9 IOCS," PDF file "SPLetterFY10#2.pdf," Attachment 3 at 1.

¹⁴ In IOCS variable F262 (Final Activity Code). See Library Reference USPS-FY19-37, Excel file "IOCSDataDictionaryFY19.xlsx," and file "MASTER.CODES."

5. Please refer to Table 1.

Table 1

Selected IOCS City Carrier Mixed Mail In-Office Direct Labor Costs

Selected IOCS Mixed Mail Description (Final Activity Code) ^a	City carrier mixed mail in-office direct labor costs \$ in thousands	
	FY 2018	FY 2019
Standard Mixed Mail (5340)	\$7,974	\$5,342
Letter Shape (5610)	\$4,859	\$86,779
Flat-Size Shape (5620)	\$6,101	\$39,995
Letter and Flat Size (5650)	\$71,166	\$78,991
Irregular Parcels and Pieces and Parcels (5700)	\$504	\$113,652
All Shapes (5750)	\$667,876	\$468,067
Total^b	\$758,481	\$792,825

^aIOCS Final Activity Code in variable F262, IOCS activity codes are listed in Library Reference USPS-FY19-37, file "MASTER.CODES."

^bThe sum of the row figures may not add to the total figures due to rounding.

Source: Analysis of SAS datasets in Docket ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," folder "Data," SAS dataset "prcpub18.sas7bdat," and Library Reference USPS-FY19-37, folder "Data," SAS dataset "PRCPub19.sas7bdat."

- a. Please confirm that the increase in city carrier mixed-mail parcels and irregular parcels and pieces cost between FY 2018 and FY 2019 was due to the changes in the FY 2019 shape-based data collection procedures. If not, please explain the reason(s).
- b. Please confirm that the increase in city carrier mixed-mail letter shape cost between FY 2018 and FY 2019 was due to the changes in the FY 2019 shape-based data collection procedures. If not, please explain the reason(s).
- c. Please confirm that the decrease in city carrier mixed-mail all shapes cost between FY 2018 and FY 2019 was due to the changes in the FY 2019

shape-based data collection procedures. If not, please explain the reason(s).

- d. In the FY 2018 IOCS data, edited (IOCS variable F244) activity code 5745-mixed-mail handling container or multiple items, approximately \$308 million was assigned to the final (IOCS variable F262) activity code 5750-mixed-mail all shapes cost for city carriers.¹⁵ In FY 2019, this amount decreased to approximately \$134 million. *Id.* In FY 2018, did the data coder ask about the shape(s) of the multiple items or in the container for all? If not for all, please specify under what circumstances item shape information was collected and not collected.
6. In the FY 2018 IOCS data, edited (IOCS variable F244) activity code 5740-mixed-mail handling a single item, approximately \$246 million was assigned to the final (IOCS variable F262) activity code 5750-mixed-mail all shapes cost for city carriers. *Id.* In FY 2019, this amount decreased to approximately \$105 million. *Id.* In FY 2018, did the data coder ask about the shape of the single item for all? If not for all, please specify under what circumstances item shape information was collected and not collected.
7. The Commission's periodic reporting rules require the Postal Service to provide "[s]uccinct narrative explanations of how the estimates in the most recent Annual Compliance Determination were calculated and the reasons that particular analytical principles were followed. The narrative explanations shall be comparable in detail to that which had been provided in Library Reference 1 in omnibus rate cases processed under the Postal Reorganization Act (by July 1 of each year)..."¹⁶ Please refer to the Postal Service's most recent filing of the

¹⁵ Analysis of the SAS datasets in Docket ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37," folder "Data," SAS dataset "prcpub18.sas7bdat," and Library Reference USPS-FY19-37, folder "Data," SAS dataset "PRCPub19.sas7bdat."

¹⁶ 39 C.F.R. § 3050.60(f).

narrative explanations for the development of its costs by segments and components in FY 2018.¹⁷

- a. For more detail on the city carrier in-office mixed-mail direct labor costs to products distribution process, the Postal Service directs the reader to Appendix C.¹⁸ However, the Appendix C title is listed as “FORMATION OF MAIL PROCESSING DISTRIBUTION KEYS.”¹⁹
 - i. Is Appendix C applicable to city carriers, clerks, and mail handlers?
 - ii. If the answer to question 6.a.i. is yes, please specify which sections of Appendix C are applicable to city carriers.
 - iii. If the answer to question 6.a.i. is yes, please specify if Appendix E is also applicable to city carriers.²⁰
 - iv. If the answer to question 6.a.i. is no, please specify if Appendix E is the correct reference for the description of the city carriers mixed-mail in-office direct labor costs to products distribution process.

¹⁷ USPS Report, *Rule 39 C.F.R. Section 3050.60(f) Report for FY 2018 (Summary Descriptions)*, July 1, 2018 (CRA Summary Descriptions).

¹⁸ See CRA Summary Descriptions, folder “Rule 39 CFR Sec 3050.60f_ReportFY18.zip,” folder “SummaryDescriptionsFY2018.zip,” folder “CRA.Summary.Description.FY18,” Word file “CS06-18.doc,” Section “6-1,” at 6-3.

¹⁹ CRA Summary Descriptions, folder “Rule 39 CFR Sec 3050.60f_ReportFY18.zip,” folder “SummaryDescriptionsFY2018.zip,” folder “CRA.Summary.Description.FY18,” Word file “APPC-18.doc,” at “C-1.”

²⁰ The title of Appendix E is “DISTRIBUTION OF MIXED MAIL COSTS TO DIRECT MAIL ACTIVITY COSTS” and the first sentence under the title states that “Mixed mail costs are distributed to direct mail activity codes by basic function within route type for city carriers.” See CRA Summary Descriptions, folder “Rule 39 CFR Sec 3050.60f_ReportFY18.zip,” folder “SummaryDescriptionsFY2018.zip,” folder “CRA.Summary.Description.FY18,” Word file “APPE-18.doc,” at “E-1.”

- v. If both Appendix C and Appendix E are not applicable for the city carrier in-office mixed-mail direct labor costs to products costs distribution process, please provide a summary description at the same level of detail for the FY 2019 methodology.
- b. For the response(s) provided in question 6.a.i.-6.a.iv., where applicable, please either provide an updated summary description for the FY 2019 city carrier in-office mixed-mail direct labor costs to products methodology or confirm that the FY 2019 methodology description is the same as that provided in FY 2018.

By the Chairman.

Robert G. Taub